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UNFPA – Annual report of the Executive Director

United Nations Population Fund

Statistical and financial review, 2016

Report of the Executive Director

Summary

This report provides summary financial information on UNFPA revenue and expenses for 2016, and on assets, liabilities and fund balances, as at 31 December 2016. Figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit.

In 2016, UNFPA generated $859.5 million in revenue. This represents a $133.3 million (13.4 per cent) decline, compared to 2015, when revenue totalled $992.8 million. Expenses for the year have also gone down by $54.9 million (5.6 per cent), from $977.4 million in 2015 to $922.5 million in 2016.

In the environment of decreasing resources, UNFPA continued concentrating its efforts where they are needed the most. Field office expenses have grown as percentage of total programme and institutional budget expenses from 75.8 per cent ($711.5 million) in 2015 to 78.6 per cent ($707.5 million) in 2016. Share of regular resources expenses for country programmes in the least developed countries and low-income economies also grew by 1.9 per cent and 2.0 per cent, respectively, in 2016, compared to 2015.

UNFPA reserves and fund balances, as at 31 December 2016, were $720.5 million ($794.4 million in 2015), of which $45.1 million were under regular resources. A total of $30.0 million was made available for spending in 2017. Other resources fund balances of $675.4 million ($729.6 million in 2015) includes $262.4 million of contributions receivable that were not due for payment by the end of 2016 as well as contributions that were received but are earmarked for future years.

The operational reserve was reduced by $7.9 million, from $78.4 million in 2015 to $70.5 million in 2016, in order to set the amount of the reserve equal to 20 per cent of the regular resources contributions revenue for the year.

In a challenging financial environment, UNFPA closed 2016 in sound financial health by ensuring that its outstanding commitments remained within the available financial resources. UNFPA responded to the new financial environment through prudent financial management, including a level of austerity measures across all programmes and operations.

Elements of a decision

The Executive Board may wish to take note of the present report.

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I. Introduction

1. The statistical and financial review, 2016, provides summary information on UNFPA revenue and expenses for the year, and on assets, liabilities and fund balances as at 31 December 2016. This information is provided for activities funded by both regular and other resources. All figures in the present document are provisional, subject to external audit and, as a result of rounding, may not add up to the totals.

2. The statement of revenue and expenses for the year ended 31 December 2016 is provided in annex 1, table 1, for regular, other and total resources. The statement of assets, liabilities and fund balances as at 31 December 2016 is provided in the annex 1, table 2. The statement of changes in net assets for the year ended 31 December 2016 is provided in annex 1, table 3.*

3. The 2016 figures are prepared on the accrual basis of accounting, with the exception of annex 1, table 15, which presents resource utilization in the integrated resource plan on a budgetary comparable basis (modified accrual basis).

4. Throughout the report, reference is made to contribution revenue as 'gross' or 'net'. Gross contributions include amounts specified in agreements signed with donors, and are recognized as revenue consistent with UNFPA accounting policies, regardless of the period of implementation and the payment schedule. Net contributions for regular resources are exclusive of transfers to other revenue for reimbursement of tax charges to the citizens of one Member State. Net contributions to other revenue exclude refunds to donors, cost recovery charges and UNFPA contributions to joint programmes where the Fund serves as managing agent.

II. Total resources

A. Revenue

5. Total gross contribution revenue for the last five years can be summarized as follows:

	2016	2015	2014	2013	2012
	Millions of United States dollars				
Regular resources – gross	352.8	398.2	477.4	460.0	437.5
Other resources – gross	494.9	581.3	529.2	504.3	533.6
Total gross contributions	**847.7**	**979.5**	**1,006.6**	**964.3**	**971.1**
Other resources, as percentage of total resources	*58.4%*	*59.3%*	*52.6%*	*52.3%*	*54.9%*

6. Contributions to regular resources have decreased by $45.4 million (11.4 per cent) from 2015 to 2016. Contributions to other resources have also decreased by $86.4 million (14.9 per cent). Other resources accounted for 58.4 per cent of total gross contributions in 2016, compared to 59.3 per cent in 2015.

7. In 2016, other revenue amounted to $56.7 million ($57.2 million in 2015), equivalent to 6.6 per cent of total net revenue for the year (5.8 per cent in 2015). Other revenue includes cost recoveries for implementation of programme activities under other resources ($34.7 million), investment revenue ($7.8 million), reimbursement of tax charges paid to citizens of one Member State ($5.8 million), income from procurement services to third-party clients ($2.5 million) and other activities ($5.9 million).

8. Total net revenue in 2016 amounted to $859.5 million (see annex 1, table 1); this represented a $133.3 million (13.4 per cent) decline over 2015 levels ($992.8 million).

* The annexes to this report can be found on the UNFPA Executive Board website.

B. Expenses

9. Total expenses for 2016 were $922.5 million, which is $54.9 million (or 5.6 per cent) lower than in 2015, when total expenses amounted to $977.4 million.

10. Total expenses for 2016 and 2015 can be summarized as follows:

	Millions of United States dollars		Per cent	
	2016	*2015*	*2016*	*2015*
Programme and institutional budget	**900.3**	**938.9**	**97.6**	**96.1**
Country programmes, global and regional interventions (GRI) and other programme activities	763.5	798.6	82.8	81.7
Institutional budget - gross	136.8	140.3	14.8	14.4
Corporate	**22.2**	**38.5**	**2.4**	**3.9**
Corporate	22.2	38.5	2.4	3.9
Total expenses	**922.5**	**977.4**	**100.0**	**100.0**

11. Programme and institutional budget expenses can be summarized by region as follows:

	Millions of United States dollars		Per cent	
	2016	*2015*	*2016*	*2015*
East and Southern Africa	198.1	201.2	21.9	21.5
West and Central Africa	157.2	161.7	17.5	17.2
Arab States	123.6	111.9	13.7	11.9
Asia and the Pacific	139.2	145.8	15.5	15.5
Latin America and the Caribbean	51.9	57.5	5.8	6.1
Eastern Europe and Central Asia	36.5	32.6	4.1	3.5
Office in Addis Ababa	1.0	0.8	0.1	0.1
Global activities	192.8	227.4	21.4	24.2
Total programme and institutional budget	**900.3**	**938.9**	**100.0**	**100.0**

12. The strategic plan, 2014-2017 and its business model classify all countries and territories where UNFPA operates into four quadrants (red, orange, yellow and pink). This classification is based on a robust model, which weighs different factors, such as need, ability to finance and population. A list of all countries and their classification is included in annex 2.

13. Total programme and institutional budget expenses for 2016 and 2015, with a breakdown by strategic plan quadrant, are summarized in the table below:

	Millions of United States dollars		Per cent	
	2016	*2015*	*2016*	*2015*
Countries/territories expenses	**637.1**	**651.3**	***70.8***	***69.4***
Red	384.6	407.3	*42.8*	*43.4*
Orange	100.3	94.9	*11.1*	*10.1*
Yellow	67.4	68.8	*7.5*	*7.3*
Pink	84.8	80.3	*9.4*	*8.6*
Global and regional interventions	**51.2**	**57.8**	***5.7***	***6.1***
Regional	29.4	33.9	*3.3*	*3.6*
Global	21.8	23.9	*2.4*	*2.5*
Other regional and global expenses[a]	**212.0**	**229.8**	***23.5***	***24.5***
Other regional	41.0	26.3	*4.5*	*2.8*
Other global	171.0	203.5	*19.0*	*21.7*
Total programmes and institutional budget	**900.3**	**938.9**	***100.0***	***100.0***

a) Includes non-GRI expenses of regional offices and headquarters such as programme activities funded from other resources and institutional budget

14. Programme and institutional budget expenses are further detailed in annex 1, tables 4 through 12.

15. UNFPA spent $763.5 million on country programmes, global and regional interventions, and other programme activities in 2016 ($798.6 million in 2015). Governments and non-governmental organizations implemented 32.4 per cent ($247.6 million) of these resources, a slight decrease, compared to 32.5 per cent ($259.5 million) in 2015.

16. UNFPA continues focusing its programme interventions around women and girls, as evident by the fact that 64.0 per cent of UNFPA programme expenses (or $488.1 million) in 2016 either had gender equality/women's empowerment as their primary objective or made a significant contribution to gender equality. This is slightly lower than in 2015, when 65.7 per cent ($524.8 million) of programme expenses had women empowerment as primary objective or made a significant contribution to gender equality.

17. UNFPA remains committed to ensuring that maximum resources are dedicated to supporting its field office operations. Almost 78.6 per cent ($707.5 million) of total programme and institutional budget expenses in 2016 were incurred by country or regional offices. This is 2.8 per cent higher than in 2015, when field office operations accounted for 75.8 per cent ($711.5 million) of programme and institutional budget expenses. The breakdown of 2016 expenses by country/territory, region and quadrant for regular and other resources is provided in annex 1, table 13.

18. UNFPA continues directing its assistance to the areas where it is most needed. In 2016, UNFPA spent 55.5 per cent ($114.8 million) of its country programme regular resources expenses in the least developed countries. This represents 1.9 per cent increase, compared to 2015, when 53.6 per cent ($137.0 million) were spent in the least developed countries.

19. A total of $85.4 million of regular resources was spent on programme activities in low-income economies, which is equivalent to 41.3 per cent of annual country programme expenses from regular resources. This is again higher than in 2015, when 39.3 per cent ($100.3 million) of regular resource expenses for country programmes were incurred in the low-income economies.

20. The breakdown of expenses in the least developed countries and low-income economies is provided in annex 1, table 14.

C. Fund balances and reserves

21. Reserves and fund balances at 31 December 2016 totalled $720.5 million. This is $73.9 million lower than in 2015, when total of reserves and fund balances was equal to $794.4 million. More details are provided in the table below:

	Millions of United States dollars	
	2016	*2015*
Operational reserve	70.5	79.4
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances*	38.5	38.3
Undesignated regular and other resources fund balances	606.5	672.7
Total	**720.5**	**794.4**

* 'Designated' refers to the portion of regular resources balance that is designated for a special purpose and is not available for programming.

D. Integrated budget

22. In its decision 2013/32, the Executive Board approved the first UNFPA integrated budget, 2014-2017 (DP/FPA/2013/14), aligned with the strategic plan for the same period. The integrated budget encompasses all cost categories and results of the organization within a single, integrated framework.

23. Annex 1, tables 4 through 12, present information on expenses (on accrual basis of accounting) for the year ended 2016, by four development outcomes (with further details by output) and three organizational efficiency and effectiveness outputs, as per the strategic plan and integrated budget.

24. Annex 1, table 15, presents information on the actual utilization of resources for 2014-2016, against the estimates included in the integrated resource plan of the integrated budget. Resource utilization is presented under the modified accrual basis of accounting, consistent with the budget presentation.

25. Annex 1, table 16, provides further details of the institutional budget component of the integrated budget by expense categories.

III. Regular resources

A. Revenue and expenses

26. A summary of revenue, expenses and surplus/deficit for the year under regular resources for 2016 and 2015 is presented in the table below:

	Millions of United States dollars	
	2016	2015
Revenue		
Contributions - gross	552.6	598.2
Less: transfers to other revenue for reimbursement of tax charges	(5.8)	(5.9)
Other revenue	52.1	52.5
Total revenue	**598.1**	**644.8**
Expenses		
Country programmes (excluding Emergency Fund)	292.5	298.8
Emergency Fund	4.6	4.9
Global and regional interventions	91.2	97.8
Institutional budget	136.8	140.3
After-service health insurance and other employee benefits expenses charged to corporate	8.0	12.7
Other corporate expenses	4.6	26.1
Total expenses	**487.7**	**482.7**
Deficit for the year	**(8.6)**	**(37.9)**

27. Total net revenue under regular resources has decreased by $45.7 million (10.3 per cent) from 2015 to 2016.

28. At 31 December 2016, UNFPA made a provision for doubtful accounts of $0.1 million (similar to 2015), for contributions receivable for which collection was considered doubtful.

29. Annex 1, table 17, provides a summary of regular resource contributions in excess of $1.0 million.

30. Out of total regular resources expenses of $404.7 million, $258.3 million were spent on country programmes, global and regional interventions and other programme activities. This amount includes $4.6 million funded through the Emergency Fund, which enabled UNFPA field offices to rapidly respond to humanitarian emergencies before bilateral funding became available. Institutional budget expenses, which include expenses for both management and development effectiveness activities, amounted to $136.8 million in 2016. Remaining $12.6 million were spent on corporate expenses, such as annual costs for after-service health insurance and other employee benefits, foreign exchange gains and losses, and income tax reimbursements to the citizens of one Member State.

31. Actual expenses for 2016 decreased by $75.0 million (15.5 per cent) from 2015 to 2016. This decrease is attributed primarily to prudent financial management, including a level

of austerity measures introduced by management across all programmes and operations, to ensure that UNFPA commitments stay within available resources.

32. In annex 1, tables 4 through 12 delineate programme and institutional budget expenses funded from regular resources.

B. Fund balances and reserves

33. In 2016, expenses under regular resources exceeded revenue for the year by $8.6 million. This amount is reflected in the year-end fund balance under regular resources of $45.1 million.

34. As shown in annex 1, table 19, total funds available for programming for 2017 were $30.0 million.

35. At 31 December 2016, UNFPA decreased its operational reserve by $7.9 million, from $78.4 million in 2015 to $70.5 million. This reduction was made, in accordance with the UNFPA financial regulations and rules, in order to set the level of the reserve equal to 20 per cent of the regular resources net contribution revenue for the year.

IV. Other resources

A. Revenue and expenses

36. Other resources comprise trust funds and special funds. Special funds include the junior professional officer programme; procurement services; and other funds.

37. A summary of revenue, expenses and annual surplus/deficit under other resources in 2016 and 2015 is presented in the table below.

	Millions of United States dollars	
	2016	*2015*
Revenue		
Contributions – gross	494.9	581.3
Less: refunds to donors	(4.4)	(4.5)
Less: indirect costs*	(34.7)	(33.3)
Less: contributions to joint programmes where UNFPA is a Managing Agent	-	(0.2)
Other revenue	4.6	4.7
Total revenue	**460.4**	**548.0**
Expenses		
Trust funds	539.6	518.7
Less: indirect costs on trust funds	(34.4)	(33.3)
Special funds	9.9	9.5
Less: indirect costs on special funds	(0.3)	-
Less: contributions to joint programmes where UNFPA is a Managing Agent	-	(0.2)
Total expenses	**514.8**	**494.7**
(Deficit)/surplus for the year	**(54.4)**	**53.3**

38. * Same amount is included in the 'other revenue' under regular resources.

39. Total revenue under other resources decreased by $87.6 million (16.0 per cent), from 2015 to 2016.

40. Expenses for the year increased by $20.1 million (4.1 per cent). This growth was primarily due to implementation of programme activities under co-financing agreements for which funds were received in prior years.

41. Annex 1, tables 4 through 12 delineate trust fund expenses.

B. Fund balances

42. The excess of expenses over revenue (deficit) for 2016 under other resources was $54.4 million. This amount is reflected in the year-end fund balance under other resources of $675.4 million ($729.6 million in 2015).

43. The other resources fund balance includes $262.4 million of contributions receivable ($278.6 million in 2015) that were not due for payment by the end of 2016, as well as funds that have already been received but are earmarked for future years' activities.

C. Cost recovery

44. In its decision 2013/9, the Executive Board endorsed a general, harmonized cost-recovery rate of 8 per cent for contributions to other resources. The same decision also approved a differentiated cost-recovery structure for thematic contributions, government cost-sharing, South-South contributions, private-sector contributions and legacy agreements. The UNFPA Executive Director was given authority to waive the cost-recovery rates on a case-by-case basis.

45. Table below summarizes the financial effect of differentiated rates and approved waivers in 2016:

	Thousands of United States dollars*			
	Collected indirect costs	*Collectible under 8% rate*	*Difference*	*Effective indirect cost rates in 2016*
Indirect cost-recovery waivers	388	462	74	6.7%
Legacy agreements	1,959	2,239	280	7.0%
Government cost-sharing	890	1,424	534	5.0%
Thematic trust funds	9,136	10,442	1,305	7.0%
Umbrella agreements**	9,123	10,426	1,303	7.0%
Total	**21,496**	**24,993**	**3,496**	

* *This table excludes indirect costs from co-financing agreements with standard cost recovery rate of 8 per cent*

** Umbrella agreements are broader agreements reached jointly with one or more United Nations agencies vis-a-vis one or more bilateral or multilateral donors.

46. As per table above, UNFPA generated $3.5 million less in indirect costs than it would have if an 8 per cent rate would be applied across the board. Out of this amount, $0.07 million were due to exceptional waivers granted in the context of specific co-financing agreements for the following donor funds: Saudi Fund for Development (5 per cent); Saudi Arabia (7 per cent); United Nations Children's Education Fund (7 per cent); United Nations Office for Project Services (7 per cent); UNDP Multi-Partner Trust Fund – Iraq Trust Fund (6.25 per cent); Global Fund to Fight AIDS, Tuberculosis and Malaria, through UNDP (7 per cent); UNITAID (0 per cent) and Global Fund to Fight AIDS, Tuberculosis and Malaria, through the United Nations Children's Education Fund (7 per cent).

V. Cash and investments

47. At 31 December 2016, cash and investments held by UNFPA totalled $756.5 million ($780.5 million in 2015), comprising cash and cash equivalents (including investments with a duration of less than 90 days) of $213.6 million ($77.4 million in 2015) and other investments of $542.9 million ($703.1 million in 2015).

48. Of the total investments, $324.4 million are restricted in use. Of this amount, $70.5 million are allocated to the operational reserve; $5.0 million to the reserve for field accommodation; and $199.0 million are set aside to fund employee benefits liabilities. Restricted investments also include the principal amount of the private endowment trust ($33.7 million); and funds held by UNFPA on behalf of other United Nations organizations in

the capacity of Administrative Agent ($16.2 million). Cash and cash equivalents and investments are shown in the annex 1, table 2.

49. The UNFPA main investment portfolio of $641.5 million as at 31 December 2016 (inclusive of cash equivalent instruments) is comprised solely of investment-grade fixed-income securities. The portfolio is governed by a conservative investment policy, which sets maturity, counterparty and credit-quality limits in order to achieve preservation of capital, meeting the liquidity requirements and maximization of income within set safety and liquidity parameters. In 2016, UNFPA, jointly with UNDP and UNICEF, moved part of the funds set aside for funding of post-employment benefits to a more diversified, higher-yielding portfolio, similar to that of the United Nations Joint Staff Pension Fund, managed by an external manager. In 2016, UNFPA transferred $90.0 million to the new portfolio, which had a market value of $91.7 million as at 31 December 2016), with additional transfers planned to be carried out in 2017.

VI. Other assets and liabilities

50. UNFPA inventory balance has decreased by $12.7 million, from $59.0 million at the end of 2015 to $46.3 million at the end of 2016. UNFPA inventory consists of reproductive health commodities and other programme-related goods procured for distribution to beneficiaries or sale to third parties that are either stored in warehouses or in transit (not yet physically received at their destination). At the end of 2016, $31.4 million (67.8 per cent) of inventory were in transit to their intended locations and $14.9 million (32.2 per cent) worth of inventory was held in warehouses, either at headquarters or in the field. The decrease is primarily due to more effective clearance and distribution of in-transit inventories to programme countries, some of which were affected by the humanitarian crisis.

51. Contributions receivable decreased by 3.8 per cent from $300.9 million at the end of 2015 to $289.5 million at the end of 2016. Of this amount, $269.9 million (93.2 per cent) corresponded to other resources, of which $262.4 million (97.2 per cent) were not due for payment as at 31 December 2016.

52. Operating fund advances outstanding at year end continued to decrease, to $7.3 million in 2016, $3.5 million lower than at the end of 2015. This decrease is a result of management efforts to improve management of operating fund advances including a timelier recovery of unspent balances from implementing partners.

53. Employee benefits liabilities increased by $26.8 million, from $302.7 million at the end of 2015 to $329.5 million at the end of 2016. This variation is primarily attributed to an increase of $27.7 million in the after-service health insurance liability, due to recognition of qualifying service and interest costs for the year and a decrease in the discount rate used to measure the liability. The unfunded portion of the employee benefits liability has increased by $15.7 million, from $114.8 million at the end of 2015 to $130.5 million at the end of 2016. This was caused by the overall increase in liabilities, which was only partially offset by funding of $11.1 million set aside during the year.

VII. Conclusions

54. In a challenging financial environment, UNFPA closed 2016 in sound financial health by ensuring that its outstanding commitments remained within the available financial resources. UNFPA responded to the new financial environment through prudent financial management, including a level of austerity measures across all programmes and operations.